Trump Extorts Companies To Pay Taxes on Exports

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U.S. President Donald Trump has imposed tariffs under the false claim that certain trade imbalances with other countries created a national emergency.

This is contested in courts and should have no legal standing. As the U.S. constitution explicitly says:

No State shall, **without the Consent of the Congress**, lay any Imposts or Duties on Imports or Exports, …

Congress has not been asked to and has not consented to the arbitrary tariffs imposed by Trump since he, on April 2, declared his fake 'Liberation Day'.

Moreover, Trump did not impose tariffs to balance trade. He immediately weaponized them by trying to to impose (archived) U.S. policy goals, as well as interests of individual companies, on foreign countries:

This month, State Department officials considered demanding that U.S. trading partners vote against an international effort to reduce greenhouse gas emissions by the oceangoing container ships that are the backbone of global trade. In a draft "action memo," Secretary of State Marco Rubio was told that department officials had sought "to inject this issue into the ongoing bilateral trade negotiations" with maritime nations such as Singapore.

That move came after administration officials this past spring debated broadening trade negotiations with more than a dozen nations, including by requiring Israel to eliminate a Chinese company's control of a key port and insisting that South Korea publicly support deploying U.S. troops to deter China as well as Seoul's traditional rival, North Korea, the documents said.

Administration officials saw trade talks as an opportunity to achieve objectives that went far beyond Trump's oft-stated goal of reducing the chronic U.S. trade deficit. In the first weeks after the president paused his "reciprocal" tariffs April 9 to allow for negotiations, officials drew up plans to press countries near China for a closer defense relationship, including the purchase of U.S. equipment and port visits, the documents said.

Tariff impositions have thus become a form of blackmailing at large.

This was not only done to pursue general U.S. foreign policy interests but also in favor of individual, U.S. owned companies:

In Lesotho, a poor southern African nation that Trump had threatened with 50 percent tariffs, negotiators wanted the government to finalize deals with “multiple U.S. firms.”

OnePower, a renewable energy start-up, should be granted “a five-year withholding tax exemption” and a license to develop a 24-megawatt project. Regulators should waive a legal requirement for Starlink, Musk’s satellite-based internet provider, to provide a physical address in Lesotho before conducting business there, the document said.

To do so is not illegal, some may argue. Why shouldn’t the U.S. use its heft to press foreigners to make good deals?

One counter is that such mafia like behavior by a government against foreigners, once allowed, will come back to hit at home.

We did not have to wait long for that to happen. As the *Financial Times* headlines:

Nvidia and AMD to pay 15% of China chip sale revenues to US government (archived)
Chipmakers agree to unusual arrangement to secure export licences from Trump administration

Nvidia and AMD have agreed to give the US government 15 per cent of the revenues from chip sales in China, as part of an unusual arrangement with the Trump administration to obtain export licences for the semiconductors.

The two chipmakers agreed to the financial arrangement **as a condition for obtaining export licences for the Chinese market** that were granted last week, according to people familiar with the situation, including a US official.

The US official said Nvidia agreed to share 15 per cent of the revenues from H20 chip sales in China and AMD will provide the same percentage from MI308 chip revenues. Two people familiar with the arrangement said the Trump administration had not yet determined how to use the money.

The U.S. under Trump is imposing export duties on U.S. companies. This is, like the arbitrary imposing of tariffs on imports, highly illegal. Under the U.S. constitution not even Congress would be allowed to do this:

Section 9 Clause 5

No Tax or Duty shall be laid on Articles exported from any State.

Trump arbitrarily imposed export restrictions on certain computer chips made by Nvidia and AMD on national security grounds. He then used these export restrictions to blackmail the companies into agreeing to pay a certain ‘kick back’ tax to the U.S. government. Once they did the export restrictions were lifted.

As the *NY Times* reports (archived):

While the Trump administration publicly said a month ago that it was giving the green light to Nvidia to sell an A.I. chip called H20 to China, it did not actually issue the licenses making those sales possible.

On Wednesday, Jensen Huang, Nvidia's chief executive, met with President Trump at the White House and agreed to give the federal government its 15 percent cut, essentially making the federal government a partner in Nvidia's business in China, said the people familiar with the deal. The Commerce Department began granting licenses for A.I. chip sales two days later, these people said.
…
The deal agreed to last week could funnel more than $2 billion to the U.S. government. Nvidia was expected to sell more than $15 billion worth of its H20 chip to China through the end of the year, and AMD was expected to sell $800 million, according to Bernstein Research.

If I were a Nvidia shareholder I would immediately sue the U.S. over this.

That such a deal was agreed to by Trump proves that the export restrictions previously imposed on H20 chips arbitrary and were never for national security reasons. (By the way: the $2 billion the U.S. is gaining from this deal is couch lint compared to the Pentagon budget.) The restrictions on sales were solely imposed to extort Nvidia, illegally, into paying additional taxes:

Christopher Padilla, a top export control official in the George W. Bush administration who is now a senior adviser with the Brunswick Group consulting firm, echoed those fears, describing the deal as "unprecedented and dangerous."

"Export controls are in place to protect national security, not raise revenue for the government," Padilla said. **"This arrangement seems like bribery or blackmail, or both."**

If this holds for chips one has also to ask about other items (archived):

The deal to license A.I. chips caused immediate outcry among national security experts who have been opposed to A.I. chip sales to China. They worry that the Trump administration's decision to leverage export licenses for money will encourage Beijing to pressure other companies to make similar arrangements to loosen restrictions on other technology like semiconductor manufacturing tools and memory chips.

National security hawks, via *FT*, are enraged by the deal:

"Beijing must be gloating to see Washington turn export licences into revenue streams," Liza Tobin, a China expert who served on the National Security Council in the first Trump administration, now at the Jamestown Foundation.

“What’s next — **letting Lockheed Martin sell F-35s to China for a 15 per cent commission?**”

Hmm – China would not F-35s as it is already making better planes. Nor will it use H20 chips from Nvidia for any security related activity. It has good ground to believe that those chips were specifically made for China with a backdoor to be hacked.

The Trump administration, like its boss personally, has obviously no qualms about making deals against U.S. interests, as long as they guarantee a large sounding income.

I wonder how much President Putin of Russia will have to offer on Friday to regain control of Alaska.

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